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PORTUGAL

Dissident officers in the Portuguese Armed Forces Movement apparently used a meeting of the Revolutionary Council yesterday to present President Costa Gomes with their demands for the removal of Prime Minister Goncalves. We have no information yet on the outcome of the meeting. 3

Navy Commander Crespo—one of the nine dissidents whose name has been mentioned as a possible replacement for Goncalves—told Western diplomats at a luncheon yesterday that if the President does not respond to the dissidents' demands, "just wait a week." This is the first indication that the dissidents might consider using force to remove Goncalves, although Crespo said repeatedly the group is determined to avoid force if at all possible. 1 4

Crespo confirmed that security chief Otelo de Carvalho, a key to control of the best disciplined troops in the armed forces, definitely supports the dissidents. The navy commander said the dissidents had the backing of at least 80 percent of the military. 1

25X1 [] sentiment in the armed forces is running heavily in favor of the dissidents' manifesto. The commando regiment outside Lisbon has voted in favor of the document, and its commander, Colonel Neves, indicated that voting by units in the northern and central military regions, including Lisbon, showed that 90 percent favored the anti-regime document. Neves said he too expects some fighting if basic changes are not made in the government within a week. 1

In his luncheon remarks yesterday, Commander Crespo remarked that he resented being called a "moderate," preferring the term "revolutionary." Crespo pointed out that he believes most enterprises should be owned by the state and that it is inappropriate for Portugal to remain an active member of NATO. Crespo argued that Portugal was paying too high a political price for its NATO membership and that Portugal's principal goal was to serve as a bridge between Europe and Africa. Former foreign minister Antunes has long been the leading exponent of a third-world orientation in Portuguese foreign policy.

Crespo stated that his views on NATO did not extend to bilateral military arrangements with individual NATO members. He said such arrangements—including the US presence at Lajes air base in the Azores—are beneficial to Portugal.

Troops were placed on alert last night in the southern town of Evora, where the Socialists and Communists staged demonstrations. Military police, however, prevented any violence. 3

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2 The Socialists rallied about 3,000 sympathizers to demonstrate support for the
3 commander of the southern military region headquartered there. The commander is
a leading member of the dissident faction. The Communists, traditionally strong in
the south, drew approximately the same number of demonstrators for their
counter-rally. The Socialists, meanwhile, are lending their support to the
Church-sponsored celebration in Fatima today, which is expected to be the scene of
continued criticism of the government. [REDACTED]

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SAUDI ARABIA - NORTH YEMEN

Prime Minister Al-Ghani's visit to Riyadh last week won North Yemen promises of over \$600 million in Saudi assistance. If, as expected, as much as \$300 million in Saudi military assistance also materializes, North Yemen will be second only to Egypt in terms of total aid commitments from Saudi Arabia. 1:2

The Saudi commitment of over \$600 million in new project aid and budget support includes \$300 million for a refinery and \$145 million for road construction. The Saudis also extended \$15 million for grain silos and mills, \$30 million for electrification, \$60 million for a joint venture in air transport, and undisclosed amounts for other construction. In addition, the Saudi aid package includes \$80 million in continued direct budget support and indirect budget support through gifts of over 350,000 barrels of petroleum and 7,000 tons of fertilizer. 1

The new Saudi aid may promote further the decline of Soviet influence in Sana—a prime objective of the Saudis and the current Yemeni leadership. Sana, nevertheless, has not been above using the threat of accepting a new Soviet military assistance package as a tactic in prodding the Saudis into moving on long-stalled negotiations to modernize the North Yemeni armed forces. Sana's deputy commander in chief is scheduled to visit Saudi Arabia later this month for talks about military aid. 2

The large volume of new Saudi commitments to Sana reflects Riyadh's recognition of the role North Yemen plays in Saudi development as well as in regional politics. Yemeni laborers are the major source of unskilled manpower in labor-starved Saudi Arabia, and treatment of these workers continues to be a sore spot between Riyadh and Sana. Remittances of Yemeni laborers in Saudi Arabia are a major item in Sana's balance of payments. 2

The Saudi aid package should ease domestic political pressures on Sana. While the Saudis have underwritten the North Yemeni deficit since 1971 and have provided funding to influential groups, little money has gone into high-impact, highly visible projects. These latest developments should also increase Yemeni support for the Hamdi regime's gradual foreign policy shift to the Saudis and the West. 2

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ARGENTINA

Worsening economic conditions are weakening the ability of top Argentine labor leaders to control their rank and file, who are already critical of their leaders' compromises with the government.

Argentina's deepening recession, which is accompanied by declining demand in the face of drastically increased prices, is wiping out thousands of jobs. The US embassy notes a sharp upsurge in the number of workers laid off this month, and a number of firms have been forced to curtail or cease operations because they cannot pay wage increases recently won by labor.

The automobile industry has been particularly hard hit. The Argentine subsidiary of the Ford Motor Company reportedly is considering a month-long shutdown that would idle some 3,000 workers.

The deepening economic crisis cannot fail to aggravate the mood of workers, many of whom—despite sizable wage hikes and union orders to return to work—continue to protest steeply rising prices. As unemployment grows, worker discontent is likely to be translated into calls for mass action and more widespread strikes. Indeed, state and local government workers are threatening to strike if their 100-percent wage hike is not increased.

The two most important leaders of Peronist labor, Lorenzo Miguel and Casildo Herreras, are eager to avoid a direct clash with the government. Miguel went out of his way to side with the government as it sought, unsuccessfully, to resist a recent challenge to its remaining authority. Miguel correctly interprets defiance of President Maria Estela Peron—titular head of the labor-based Peronist movement—as an attack on the concept of labor discipline and thus a threat to his own position. In an effort to justify his defense of the government and rebuild worker support, Miguel has issued a strongly worded document attributing the nation's ills to imperialism on the right and terrorism on the left.

The prospect of an increasingly unruly labor movement is particularly disquieting to the armed forces, which want at all cost to avoid a situation that would require them to step in openly and run the country. Leaders of the major political parties are concerned that, having cooperated with labor in the effort to oust Lopez Rega, they may now be losing out to labor in their bid to regain a voice in national decision-making.

Meanwhile, press reports indicate that Peronist economist Antonio Cafiero has agreed to become minister of economy, completing the cabinet reorganization begun on Monday. Cafiero will be the fifth incumbent within a year in this difficult post.

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USSR-MEXICO

Mexico reportedly will sign an agreement with the Council for Mutual Economic Assistance (CEMA) within the next few days that could substantially strengthen and formalize its ties with the Soviet-dominated economic organization.

The agreement will be concluded during a visit to Moscow that began on Monday by Mexican Foreign Minister Rabasa, with Executive Director Faddeyev signing for CEMA. Although it is not expected that Mexico will be granted observer status, similar to that held by Yugoslavia, it will probably be permitted to become an observer on several CEMA permanent commissions, particularly those concerned with energy. The agreement probably will also provide for a joint economic commission with several substantive subcommittees.

In addition to the CEMA agreement, Moscow reportedly may also agree to assume a Mexican commitment for the delivery of oil to a European customer, in return for increased shipments of Mexican oil to Cuba. This will serve to reduce shipping expenses for both parties and will necessitate bilateral discussions to compensate Mexico for its higher quality oil.

The CEMA accord itself will probably involve more appearance than substance. For Mexico, it will represent evidence of President Echeverria's success at increasing his country's economic independence in an area long dominated by the US. Politically, the move is consistent with Echeverria's desire to broaden Mexico's ties with as many nations as possible and to promote his personal ambition to become the next UN secretary general.

Moscow has long sought to improve relations between CEMA and nonmember nations, but so far has only succeeded in reaching cooperation agreements with Finland and Iraq. An accord with Mexico raises the possibility that other countries will follow. Mexico will become the second nation in the Western Hemisphere—following Cuba—to establish formal ties with CEMA.

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KOREA

1
Pyongyang on Monday proposed a draft UN resolution whose emphasis on maintaining peace in Korea should enhance its prospects for General Assembly approval.

2
Last year, the North Koreans came within one vote of passing a resolution calling for the withdrawal of all "foreign forces under the UN flag." This year, Pyongyang's draft reiterates the demand for a troop withdrawal, calls for a peace treaty between the "real parties" concerned to replace the Korean armistice agreement, and includes several other provisions ostensibly aimed at reducing tensions on the peninsula.

1/2
In a supporting statement, Pyongyang asserted that ending the UN command would end the armistice as well. By proposing a peace treaty to replace the armistice, the North Koreans strongly imply that they will deal only with the US, not South Korea, which they do not consider a sovereign state.

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The US has often said that it will not conclude a treaty with Pyongyang without bringing Seoul into the negotiations. The pro-Seoul resolution, already made public, agrees to the termination of the UN command in South Korea, provided that some agreement can be reached on maintaining the armistice machinery.

2
A compromise appears remote, and the two competing resolutions will almost certainly be voted on in the General Assembly. South Korea's supporters will probably succeed this fall, as they did last, in passing the pro-Seoul draft.

Given the close vote last year, Pyongyang's continuing diplomatic gains, and the North's new formulation, Pyongyang's resolution may very well also pass this fall. The passage of the pro - North Korea resolution would not legally bind the US to withdraw forces; it would nonetheless be proclaimed by the North as a damaging diplomatic blow to the US - South Korean position.

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ANNEX

Turkey and the Arms Embargo

Six months after the imposition of the US arms embargo, the capabilities of the Turkish armed forces are declining, and Turkey would have difficulty meeting its obligations as a NATO ally.

3,4 In this situation, Ankara is beginning to reassess its defense policy. It is trying to make up for losses caused by the arms embargo by obtaining spare parts and materiel from Europe and probably the Middle East. Efforts in this direction, however, have not had much success. Apparently no comprehensive plan for the future has been drawn up by either civilian or military leaders, who continue to hope that the US Congress will reverse itself in a new vote on the arms embargo.

The Impact So Far

3-4 Information on the immediate effects of the termination of US military assistance has been limited because of new restrictions on the access of US military personnel in Turkey. The impact appears to vary from service to service. Although the Turks are attempting to cannibalize equipment to obtain spare parts, they have not been able to keep pace with the need.

2,4 The air force is the most vulnerable service, despite the receipt of 18 F-104s purchased from Italy and some spare parts from West Germany. For example, during one week this spring, 75 aircraft were reported to be grounded for repairs, compared to an average of about 16 a week before last December. Flight operations, including training, also have been reduced considerably. In spite of unconfirmed reports of pending aircraft purchases, the only additional aircraft Turkey is scheduled to receive are 18 more F-104s from Italy and two F-104 trainers from West Germany.

3,4 The army is resorting both to cannibalization and a reduced use of equipment to keep a high percentage of major items operable. Army units reportedly are also swapping parts. The parts most difficult to replace appear to be transmissions and hydraulic brake parts for tanks and other vehicles, major engine parts for helicopters and light tactical support aircraft, and parts for telecommunications equipment. The Turks are receiving limited quantities of parts and other materiel under a German aid program; this will be of some help in coping with the parts problem.

3,4 The navy has been the least affected of the three services. Whatever spare parts were needed, the Turks either have in stock, manufacture, or are purchasing from third countries.

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Cannibalization, limited supplies from the West, and the Turkish manufacture of small parts will not be sufficient to sustain Ankara's military capabilities much longer. The question of arms supply is paramount in Turkish eyes.

4

Policy Reassessment

One of the ways the Turks have reacted to the arms embargo has been to begin a reassessment of defense policy. Ankara is attempting with difficulty to keep its problems with the US separate from its relations with NATO as a whole. Although the Turks are not seriously considering a withdrawal from NATO at the present time—no Turkish political leader has called for such a withdrawal—it seems likely that the Turkish role in NATO will be subjected to increasing scrutiny and possible revision.

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In an effort to persuade the West Europeans to help them overcome the effects of the embargo, the Turks as recently as last month assured their NATO allies that they would do all they could to meet their NATO commitments, but that increased support from the Allies would be required.

4

The overall West European reaction to requests for arms thus far has not been satisfactory to the Turks. This has been due in part to European uncertainty about the duration of the US embargo, Turkish needs, and the effect of the embargo on equipment produced under US license. If the arms embargo continues and Turkey's NATO allies fail to fill the gap, it could, in the long run, lead Turkey to decide on at least a partial withdrawal from NATO.

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